

## Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 USIA-15 AGR-10 PER-03 DODE-00

RSC-01 /045 W

----- 095638

R 052045Z DEC 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1321

UNCLAS SANTIAGO 7402

EO 11652: NA

TAGS: AFSP, CI

SUBJ: LOCAL COMPENSATION

FOR ARA/MGT KARL D. ACKERMAN FROM AMBASSADOR

REF: (A STATE 245392; B) STATE 180514; C) SANTIAGO 5022

1. EMBASSY SHARES EXTREME DISAPPOINTMENT OF OUR CHILEAN EMPLOYEES THAT DEPT AND OTHER INTERESTED AGENCIES ARE ONLY WILLING PAY 14.2 PERCENT COL BONUS IN SEPT AND NO MONTHLY BONUS THEREAFTER.

2. OUR PROBLEM WITH LOCAL SALARIES IS COMPOUND OF DIFFICULTIES TRYING TO LIVE WITH WORLD'S HIGHEST RATE OF INFLATION (351 PERCENT IN LAST 12 MONTHS) AND DASHED EXPECTATIONS ABOUT WHAT WAS PERCEIVED HERE AS AN INTERIM WASHINGTON COMMITMENT TO CONTINUE MONTHLY COL BONUS UNTIL NEW WAGE SURVEY MADE AND PUT INTO EFFECT. LATTER POINT RESULTED FROM OUR INTERPRETATION OF PARA 1 STATE 180514 WHICH RESPONDED FAVORABLY TO OUR SERIES OF MESSAGES PROPOSING CONTINUATION OF PERIODIC BASE WAGE ADJUSTMENTS AND MONTHLY COL BONUS.

3. WE HAVE SURVEYED MOST EMBASSIES AND PROGRESSIVE ORGANIZATIONS IN SANTIAGO AND HAVE FOUND THAT ALMOST WITHOUT EXCEPTION THEY ARE CONTINUING TO PAY COL BONUS. WE WILL BE SERIOUSLY VIOLATING "PREVAILING PRACTICE" CONCEPT IF WE FAIL TO DO SO. RATE OF INFLATION CONTINUES SO HIGH HERE (COST OF LIVING WAS UP 34.1

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PERCENT IN SEPT. - 9:5.) THAT QUARTERLY READJUSTMENT ALONE

CONFRONT OUR EMPLOYEES WITH STEADILY DECLINING REAL WAGES. THERE MAY BE SOME LET UP IN LEVEL OF INFLATION IN 1975, BUT WE EXPECT ANNUAL RATE IS STILL LIKELY REACH 200 PERCENT. IT IS VERY DIFFICULT TO APPRECIATE WHAT THIS DOES TO INCOME UNLESS IT HAS BEEN EXPERIENCED FIRSTHAND, BUT THE EFFECTS ARE BRUTAL. EVEN WITH COL BONUS OUR EMPLOYEES WOULD SHARE IN SACRIFICE OF GOC ECONOMIC AUSTERITY PROGRAM.

4. I STRONGLY RECOMMEND DEPT APPROVE 23.7 PERCENT BONUS FOR MONTH OF SEPT AND CONTINUE COL BONUS BASED ON CPI UNTIL COMPLETION OF CURRENT WAGE SURVEY AND RECOMMENDATIONS BY MR. HOLLIDAY.  
POPPER

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NNN

## Message Attributes

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**TAGS:** AFSP, CI  
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